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Jobs out of the blue

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According to conventional economic models of the labor market, “unemployed people search for jobs and respond to job openings posted by employers.” So say Carlos Carrillo-Tudela, Bart Hobijn, Patryk Perkowski, and Ludo Visschers in “[Majority of hires never report looking for a job](#)” (Federal Reserve Bank of San Francisco, *Economic Letter*, March 30, 2015). But their research has led them to the idea that those models, at best, give only a partial picture of how the job market works. The crucial failing of such models is that they do not take into account the millions of *employed* workers who are hired into new jobs. When these workers are considered, it becomes clear that they account for a surprising amount of labor market turnover—about one-third of all hires—and, even more surprising, more than three-quarters of that one-third were hired into new jobs without even searching for a job! Rather, it seems that, in a sense, the jobs sought them. Because there are many more employed than unemployed workers, two key implications are that (1) most of the people who get hired do so without having looked for a job and (2) the recruitment activities of employers is an important component of the labor market, perhaps even more important than the jobseeking activities of workers, both employed and unemployed. Sadly, however, note the authors, “there is no obvious data source on recruitment activities by U.S. firms,” so such activities remain largely unmeasured.

Once the authors have established the importance of recruitment by employers—a practice often disparagingly called “poaching” but clearly honored in the breach by its not inconsequential incidence—they elaborate on the circumstances under which employers reach out to employees at other firms. First, there are some labor markets that do not rely on hiring through advertising vacancies, so, by definition, workers in these markets are hired without formally having looked for a job. The construction industry has such a job market. Typically, while they are working on one job, construction workers are hired on the basis of word-of-mouth information and referrals about another job. This kind of recruitment, not frowned upon, is not as important or widespread as poaching, however. Indeed, the authors maintain that poaching “may explain both why job search accounts for just 20 percent of employer-to-employer transitions and why job search matters less for those with jobs than those without jobs.” Given that “employers are more likely to poach from competitors in the same industry” (an assumption that is intuitively reasonable), it follows that employer-to-employer transitions among those not seeking a job are more often within the same industry than are such transitions among jobseekers—a conclusion that is borne out empirically: about 60 percent of employed workers who switched jobs without searching for one (and were thus more likely to have been poached) stayed in the same industry, compared with 40 percent of employed workers who switched jobs through a job search.